COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2382-07
Bill No.: SS for SCS for HS for HCS for HB 3 w/ SSA 1 for SA 1, SA 2, SA 5, SSA 1 for SA 7
Subject: Social Services Department; Pharmacy; Public Assistance
Type: Original
Date: September 13, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	($575,124)	($10,441,677 to Unknown)	$4,764,503 to (Unknown)
Missouri Seniors Rx	$3,185,430	$0	$0
Total Estimated Net Effect on All State Funds	**$2,610,306**	**($10,441,677 TO UNKNOWN)***	**$4,764,503 TO (UNKNOWN)***

***Unknown costs for additional "spenddown" clients.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Federal	$0	$0	$0
Total Estimated Net Effect on All Federal Funds*	**$0**	**$0**	**$0**

***Revenues and expenditures of $9 million annually would net to $0.**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 17 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer**, the **Office of State Courts Administrator**, and the **Department of Revenue** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Social Services - Division of Family Services** (**DFS**) state the following:

Income Expansion

The DFS would need to hire additional staff and develop policy to accommodate the necessary changes for the expansion of income to the adult Medicaid populations. Implementation of this portion of the proposal would begin January 1, 2002.

The proposal provides that the income eligibility limit be expanded to 100% of the Federal Poverty Level (FPL) for those individuals receiving old age assistance benefits or permanent and total disability benefits. Currently 100% of the FPL is $716 for a single individual and $968 for a couple.

Based on data from the FY 2000 DOS Annual Data Report published by Research and Evaluation there are 11,882 QMB cases, and 6,860 SLMB cases. This data is based on average persons receiving monthly for FY 2000 and should provide a more accurate count of individuals impacted.

This proposal would have a negligible fiscal impact on both the GR and SAB programs. The GR population may have a small percentage of cases that have income in the month of application greater than $181 (Need standard for a 1 person household) but less than or equal to the SSI maximum of $530. This is typically a result of terminated income from employment. Affect on eligibility would be limited to the month of application. SAB individuals rejected in the past on excessive resources usually qualify for the Blind Pension program since it has a $20,000 resource maximum.

The global Medicare population in Missouri is 800,000. Assume this group to be the new population from outside of the current welfare rolls to seek Medicaid benefits.

800,000	Medicare Population
520,000	Living Alone (65%)
280,000	Living with a Spouse (35%)

According to a study completed by the Public Policy Institute of AARP #9914 dated September
ASSUMPTION (continued)

1999 entitled: "How Much Are Medicare Beneficiaries Paying Out-of-Pocket for Prescription Drugs?", 10% of Medicare beneficiaries have income less than or equal to 100% of the FPL. Based on this information, DFS anticipates that one out of 10 or 10% of the Medicare population would be eligible to apply for Medicaid under the new expanded income limits.

Annual salary for a Caseworker is $29,040. One-time equipment expense costs per FTE are $8,867 with ongoing expenses of $4,404 per FTE and travel costs of $225 annually per FTE.

The DFS assumes that the Division of Aging within the Department of Health and Senior Services would award an RFP to a third-party for the administration of the PIPS therefore its involvement would be negligible. No increases in Medicaid caseloads are anticipated.

The DFS assumes a zero fiscal impact for this portion of the proposal.

Officials from the **Division of Medical Services** (**DMS**) worked with the Division of Family Services to identify the population that is being proposed for full medical assistance. The population includes spenddown, Qualified Medicare Beneficiary (QMB) only, and Blind Pension eligibles. These populations are currently receiving a limited medical services benefit, but this proposal would allow the eligibles to receive the full benefit. Currently, there are 10,908 spenddown eligibles and 37 Blind Pension eligibles affected by increasing income limits. DMS believes there would be individuals that are eligible for the spenddown program, but are not enrolled. DMS assumed that this population might present themselves for medical coverage if this proposal would be adopted, but DMS is unable to estimate this population.

Spenddown - DMS assumed the 10,908 eligibles can be converted from spenddown status to "regular" Medicaid immediately. DMS also assumed a monthly cost of $77.02 (FY 01) which is a weighted average of actual spenddown costs for spenddown eligibles as of August 2000. DMS assumed a 4% increase in medical cost each year and a caseload increase of 3.94% each year.

The DMS has only estimated costs for current "spend-down" clients who would become Medicaid eligible. Oversight assumes the DMS has excluded certain new cases coming into the Medicaid system, both cases eligible due to the increase in the income limit and additional "spend-down" cases, from their calculations. The number of new clients that would apply and be eligible could not be estimated by DMS or Oversight. Therefore, there is an unknown additional cost to Medicaid that is not included in this fiscal note.

Blind Pension - The current caseload for this population is 2,611. DFS assumed that 37 eligibles of this population would be eligible for the full Medicaid benefits with the proposal.

Since the medical payments for this population is currently 100% General Revenue (GR) and since they do not receive the full Medicaid benefits, DMS assumed a reduction in GR and an increase in ASSUMPTION (continued)

federal funding for this population.

Claims Processing Cost - DMS estimates the claims processing costs associated with these eligibles at $50,000 per year. These costs are matched at the 50/50 GR/FF rate.

DMS further states a state plan amendment (SPA) would be required to expand the income limit to 80% of FPL on July 1, 2002, 90% of FPL on July 1, 2003, and 100% of FPL on July 1, 2004. DMS assumes 6 to 9 months would be required to submit the SPA and obtain approval from the Centers for Medicare and Medicaid Services (CMS). The Division of Medical Services worked with the Division of Family Services to determine the eligibles affected by expansion of the resource limits. According to the Division of Family Services, the following eligibles would be affected in FY 2002:

QMB/SLMB	7,301
New Cases	1,558

DMS assumes program (61.06% federal) and claims processing costs of $100,000 (50% GR, 50% Federal) annually would be as follows:

FY 2002	$0
FY 2003	$9,266,861
FY 2004	$13,399,436

Officials from the **Department of Health and Senior Services - Division of Aging** (**DA**) state:

In determining the fiscal impact of this proposal, DA has made the following assumptions:
- Department of Social Services, Division of Family Services (DFS) would calculate the fiscal impact associated with determining eligibility for under the new requirements;
- Department of Social Services, Division of Medical Services (DMS) would determine the fiscal impact associated with the cost of services for the new group of eligible recipients; and
- Department of Social Services, Division of Legal Services (DLS) would determine the fiscal impact associated with the cost of any administrative hearings.

According to the Department Of Social Services, Research and Evaluation Unit, there were 69,928 Medicaid recipients age 65 and over in FY2000. As of June 30, 2000 the DHSS had authorized in-home services to just over 20,363 Medicaid in-home service recipients age 65 or over. Therefore, the department estimates the participation rate for in-home services is 29.12%

(20,363 / 69,928). Additionally, it is projected the client population would grow at a rate of 4% per year based upon the growth experienced in the Old Age Assistance (OAA) and Permanently and Totally Disabled (PTD) population as provided by the Division of Medical Services. The
ASSUMPTION (continued)

Department of Health and Senior Services assumes that the spenddown clients and the Blind Pension (PB) clients who become eligible because of the increase in the income requirements who are currently receiving in-home services are already being case managed and, therefore, will not increase the number of potential eligibles.

Based on the 29.12% participation for in-home services, the department estimates 2,580 [(7,301 + 1,558) x 29.12%] additional Medicaid recipients will access home care as an alternative to facility placement and will require case management in fiscal year 2003; 2,683 (2,580 x 104.00%) clients will require case management in fiscal year 2004 and 2,791 (2,580 x 104.00% x 104.00%) clients will require case management in fiscal year 2005. The department will need thirty-two (32) additional Social Service Worker II (SSW) positions the first year (FY2003) to case manage the new Medicaid eligibles based on current average caseload size of 80 cases per Social Service Worker (2,580 / 80 = 32.2500). The department will need thirty-four (34) SSW or two (2) additional SSW positions the second year (FY2004) (2,683 / 80 = 33.5375) and thirty-five (35) SSW or one (1) additional SSW position the third year (FY2005) (2,791 / 80 = 34.8875). The department will also need four (4) Home and Community Services Area Supervisor positions based on current supervision levels of one supervisor for every nine Social Service Workers and four (4) Clerk Typist II positions to provide clerical support to the Area Supervisor and SSW staff. The department will add the supervisor and clerical support staff in the first year.

The Social Service Worker IIs will be placed in the following counties/locations:

Year 1 (FY2003) (32 workers) One worker to be located in each of the following counties: Christian, Taney, Cape Girardeau, Carter, Chariton, Pettis, Buchanan, Camden, Macon, Franklin and Jefferson. Greene, Jasper, Taney, Texas, Wright, Dunklin, New Madrid, Pemiscot, St. Francois, Scott, Stoddard, Cass, Jackson, Pettis, Saline, Vernon, Andrew, Clinton, Grundy, Livingston, Adair, Boone, Crawford, Marion, Phelps, Pike, Pulaski, Randolph, Jefferson, St. Charles, Prince Hall, and Wainwright.

Year 2 (FY2004) (34 workers or 2 additional workers). One worker each to be located in Cape Girardeau and Clay counties.

Year 3 (FY2005) (35 workers or 1 additional worker). Worker to be located in Scotland county.

One (1) Area Supervisor position and one (1) Clerk Typist II position will be placed as follows:

one each in Taney, Cape Girardeau, Jackson and Macon counties.

Social Service Worker II duties: responsible for the investigation of hotlines, pre-long-term care screenings, the eligibility determination and authorization of state-funded in-home services.

ASSUMPTION (continued)

Home & Community Services Area Supervisor duties: supervise Social Service Workers responsible for the investigation of hotlines, pre-long-term care screenings, the eligibility determination and authorization of state-funded in-home services; provide oversight and accountability for the performance of the SSWs including case review, evaluation and guidance; act as the first point of contact for complaint resolution when clients are dissatisfied with services or staff performance.

Clerk Typist II duties: provide the necessary clerical support to the Area Supervisors, Social Service Workers, and the activities of the unit.

208.553 Establishes the Commission for the Missouri Senior RX Program

In determining the fiscal impact of this proposal, the Department of Health and Senior Services has made the following assumptions: The commission shall hold approximately 10 meetings during the first year and quarterly meetings in future years; The commission members shall be reimbursed for ordinary and necessary expenses incurred in the performance of their duties but shall receive no compensation for services; and The DHSS would employ staff necessary to support the performance of the commission's duties.

The DHSS staff will oversee and evaluate the work of the third-party administrator, support the commission, and perform program outreach with Area Agencies on Aging, public health clinics and other senior organizations. It is estimated the staff needed to perform these functions are a Public Health Manager (B2), two (2) Health Program Representative IIIs, a Research Analyst IV and two (2) Clerk Typist IIIs. These staff will be placed in Central Office.

Public Health Manager (B2) duties: responsible for program oversight and for supervising the health program representatives, research analyst and the clerk typist IIIs.

Health Program Representative IIIs duties: responsible for assisting with oversight of the third-party administrator; provide support to the commission; and assist with the development of program outreach materials.

Research Analyst IV duties: responsible for assisting with oversight of the third party administrator especially in areas of cost-control measures, fraud and abuse detection system and auditing programs; and provide support to the commission.

Clerk Typist IIIs duties: responsible for providing clerical support to the public health manager, the health program representatives and the research analyst staff and providing clerical support to the commission.

ASSUMPTION (continued)

208.556 Establishes the Missouri Senior Rx Program.

The DHSS is using assumptions provided by actuarial consultants with William M. Mercer as a model for the third-party administration of a Missouri Seniors Rx Program. The assumptions are as follows:

- Benefit Design
- Income Tier I Less than $12,000 for an individual and Less than $17,000 for a couple; Tier II $12,001 - $17,000 for an individual and $17,001 - $23,000 for a couple.
- Enrollment Fee $25 Tier I; $35 Tier II.
- Deductible of $250 Tier I; $500 Tier II.
- Annual Benefit Maximum of $5,000 (both Tier I and Tier II).
- Coinsurance of 40% (both Tier I and Tier II).
- Eligible Seniors 287,820 Tier I; 94,830 Tier II.
- Participants - FY03 -- 37,260 Tier I, 13,220 Tier II; FY04 - 57,310 Tier I, 20,330 Tier II.
- Coinsurance applies to generic and preferred-brand prescription drugs. Drugs not on the voluntary preferred drug list are not covered under the program.
- 10% of all prescription drug costs will not be covered on the voluntary preferred drug list.
- A mandatory generic substitution provision applies whereby the participant pays coinsurance on the generic drug price + the difference in cost between the preferred brand and generic drug if a generic drug is available and the patient and/or the physician request that the preferred brand drug be dispensed.
- Medicaid eligibility will be increased to 100% of the Federal Poverty Level and the resource limit will be expanded by $500 (to $1500 individual/$2500 couple).
- Individuals who are enrolled in a prescription drug program with an actuarial value of equal or greater value as the Missouri Senior Rx Program are not eligible to enroll in the program.
- Coordination of Benefits will be enforced for individuals enrolled in both the State PIPS and a prescription drug program whose actuarial value is less than the State PIPS.
- Brand discount of AWP - 10.43% will be legislated.
- Generic discount of AWP - 20% will be legislated.
- Dispensing fee of $4.09 per prescription will be legislated.
- Rebates of 15% (of AWP) will be negotiated for brand name drugs. Note that there will

be a lag of approximately 180 days for the State to receive the rebates.

- Rebates of 11% (of AWP) will be negotiated for generic drugs. Note that there will be a lag of approximately 180 days for the State to receive the rebates.
- Claims processing fees of $0.60 per prescription will be negotiated. This includes PEP type activities to be performed by the third party administrator..
- Administrative expenses of $5.7 million in FY2003 and $3.7 million in FY2004 will be incurred in addition to the claims processing fees listed above. This also assumes that the State

ASSUMPTION (continued)

will have only one contractor to pay claims and perform utilization management and cost containment activities.

- A claim processing system that contains the capability to both process claims and administer pharmacy management programs will be used. Additional costs to enhance a claims processing system have been considered in this analysis (see next bullet for examples of these enhancements).
- Pharmacy management programs including edits, patient profiling, retrospective drug utilization review, prior authorization, dose optimization, case management and voluntary preferred drug list management will result in program savings of 5-7% (of the state's portion of program costs net of discounts, rebates and member cost sharing.)
- Mail service will not be included in the program.
- An enrollment fee of $25-$35 per year will be charged based on income level and will not apply towards the deductible.
- Proprietary prescription drug expenditure data for calendar year 1999 for over 1 million Medicare beneficiaries in Medicare+Choice HMOs, employer-sponsored retiree plans, Medigap Plans H-J, Medicaid programs and state pharmacy assistance programs was utilized to project program costs.

The following annual cost and utilization trends were utilized to project prescription drug expenditure data from calendar year 1999 to fiscal years 2003 and 2004:

2000 / 1999 - 19%
2001 / 2000 - 19%
2002 / 2001 - 18%
2003 / 2002 - 17%
2004 / 2003 - 16%

The enrollment fees and the rebates will be revenue deposited into the Missouri Seniors Rx Fund. The cost for the administrator and other program costs are shown as PIPS Fund to the extent that revenues will support the expenses with the remainder of the costs shown as General Revenue.

Based on statewide guidelines and previous experience, the following amounts represent the average annual expense of an FTE:
Rent (Statewide Average) - $2,700 per FTE ($13.50 per sq. ft. x 200 sq. ft.);
Utilities - $320 per FTE ($1.60 per sq. ft. x 200 sq. ft.);
Janitorial/Trash - $200 per FTE ($1.00 per sq. ft. x 200 sq. ft.);
Travel and Other Expenses - $5,000 per FTE for professional staff;
Office and Communication Expenses - $4,800 per FTE for all staff.

ASSUMPTION (continued)

In addition to the above standard costs, systems furniture for the new HCS staff in Taney, Texas, Wright, Dunklin, New Madrid, Pemiscot, St. Francois, Stoddard, Cass, Jackson, Pettis, Andrew, Boone, Crawford, Pulaski and Macon counties and Prince Hall in St. Louis City in FY2003; Cape Girardeau and Clay counties in FY2004; and Scotland county in FY2005; and for the Commission for the Missouri Senior Rx Program staff in Jefferson City in FY2002 will be needed at a cost of $4,500 per FTE. Desks will be needed for all HCS staff in locations without systems furniture.

Desktop PCs with software will be needed for the forty-three (43) HCS field staff and the six (6) PIPS Commission staff at a cost of $2,300 each.

FY02 costs for the PIPS Commission meetings and staff are based on the period January 1, 2002 through June 30, 2002. FY03 costs for the for the Area Supervisor, the Clerk Typist and Social Service Worker positions are based on the period July 1, 2002 through June 30, 2003. FY03 and FY04 costs include a 3.0% inflation adjustment for expense & equipment costs and a 2.5% inflation adjustment for personal services.

According to the proposal the clearinghouse would be operated by a third-party administrator which would be a quasi-public agency. DOH assumes that the Missouri Patient Care Review Foundation operating the CLAIM program could be utilized as a model for estimating the costs.

DOH estimates a need for additional staff: one Health Program Representative III to coordinate and evaluate the functions and customer services of the third-party administrator of the clearinghouse and one Clerk Typist III to provide clerical support.

Oversight assumes the following based on census data from the United States Bureau of Census and studies from the United States Department of Health and Human Services. **Oversight** assumes that there would be a seventy-five percent participation rate among income eligible participants age 65 and over who do not have any pharmaceutical insurance coverage.

Total Households 65 and over	21,745 US (IN THOUSANDS)

		Missouri	Individuals	
Missouri Households 65 and over (x 1.34)			525,811	Households
Under $2,500	263	1.21%	6,360	8,522
$2,500 to $4,999	303	1.39%	7,327	9,818
$5,000 to $7,499	1,202	5.53%	29,065	38,947
$7,500 to 9,999	1,625	7.47%	39,294	52,654

ASSUMPTION (continued)

$10,000 to $12,499	1,786	8.21%	43,187	57,870
$12,500 to $14,999	1,525	7.01%	36,876	49,413
$15,000 to $17,499	1,457	6.70%	35,231	47,210
$17,500 to $19,999	1,322	6.08%	31,967	42,836
$20,000 to $22,499	1,240	5.70%	29,984	40,179
$22,500 to $24,999	1,206	5.55%	29,162	39,077
Total	11,929	54.86%	288,452	386,526

Individuals w/o Insurance 47.00%	Participation Rate 75.00%	Individuals 43.00%	Couples 57.00%	Prescription Costs per Person
4,005	3,004	1,292	1,712	1,335
4,614	3,461	1,488	1,973	1,335
18,305	13,729	5,903	7,826	1,335
24,747	18,560	7,981	10,579	1,335
27,199	20,399	8,772	11,628	1,335
23,224	17,418	7,490	9,928	1,335
22,189	16,642	7,156	9,486	1,335
20,133	15,100	6,493	8,607	1,335
18,884	14,163	6,090	8,073	1,335
18,366	13,775	5,923	7,852	1,335
181,667	136,251	58,588	77,663	

Costs Per Individual	Less Deductible	Coinsurance 40.00%	State Cost

1,724,406	322,923	560,594	840,890
1,986,674	372,036	645,855	968,782
7,881,128	1,475,867	2,562,104	3,843,157
10,654,603	1,995,244	3,463,744	5,195,615
11,710,228	2,192,927	3,806,921	5,710,381
9,998,935	3,744,919	2,501,606	3,752,409
9,553,081	3,577,933	2,390,059	3,585,089
53,509,054	13,681,848	15,930,882	23,896,324

ASSUMPTION (continued)

Costs Per Couple	Less Deductible	Coinsurance 40.00%	State Cost
4,571,682	856,120	1,486,225	2,229,337
5,266,995	986,329	1,712,267	2,568.400
20,894,152	3,912,763	6,792,556	10,188,834
28,247,086	5,289,717	9,182,948	13,774,422
31,045,721	5,813,805	10,092,766	15,139,149
26,508,804	4,964,196	8,617,843	12,926,765
25,326,772	4,742,841	8,233,572	12,350,359
22,980,091	8,606,776	5,749,326	8,623,989
21,554,700	8,072,921	5,392,711	8,089,067
20,963,684	7,851,567	5,244,847	7,867,270
77,034,267	51,097,034	62,505,062	93,757,592

Oversight assumes program costs of $142,445,978 annually. **Oversight** assumes enrollment fees of $3,335,430 annually and pharmaceutical rebates of $42,022,455 annually.

Officials from the **Office of Administration - Division of Budget and Planning** (**BAP**) state this proposal would eliminate the senior pharmacy tax credit beginning with calendar year 2002.

Removing the credit would increase General Revenue by $94.5 million in FY03 and $99.2 million in FY04. A 5% growth rate is assumed. This is based on actual data for FY01 of $85.7 million.

In addition, BAP states the enrollment fee for the pharmacy investment program for seniors would increase total state revenue. Department of Health and Senior Services should be providing information about the enrollment fee, as well as the costs of the pharmacy investment program for seniors.

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
Savings - Office of Administration			
Repeal of prescription tax credit	$0	$94,500,000	$99,200,000
Transfer Out - Office of Administration			
To Missouri Senior Rx Fund	$0	($99,600,972)	($87,449,145)
Costs - Department of Social Services - Division of Family Services			
Personal services (2.01)	($29,185)	($59,830)	($61,325)
Fringe benefits	($9,727)	($19,941)	($20,440)
Expense and equipment	($22,475)	($9,583)	($9,871)
Total Costs - DFS	($61,387)	($89,354)	($91,636)
Costs - Department of Social Services - Division of Medical Services			
Processing costs - federal poverty	$0	($25,000)	($25,000)
Program costs - federal poverty	$0	($3,443,651 to Unknown)	($5,041,372 to Unknown)
Total Costs - DMS	$0	($3,468,651 to Unknown)	($5,066,372 to Unknown)
Costs - Department of Health and Senior Services - Division of Aging			
Personal services (33.3 FTE)	($121,239)	($1,175,462)	($1,204,849)
Fringe benefits	($40,409)	($391,781)	($401,576)
Expense and equipment	($352,089)	($215,457)	($221,919)
Total Costs - Division of Aging	($513,737)	($1,782,700)	($1,828,344)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($575,124)**	**($10,441,677 TO UNKNOWN)***	**$4,764,503 TO (UNKNOWN)***

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
***Unknown costs for additional "spenddown" clients.**			
MISSOURI SENIORS Rx FUND			
Income - Department of Health and Senior Services - Division of Aging			
Enrollment fees	$3,335,430	$3,335,430	$3,335,430
Pharmaceutical rebates	$0	$22,447,756	$51,661,403
Total Income - Division of Aging	$3,335,430	$25,783,186	$54,996,833
Transfer In - Office of Administration			
From General Revenue Fund	$0	$99,600,972	$87,931,032
Costs - Department of Health and Senior Services - Division of Aging			
Personal Services (2 FTE)	$0	($65,382)	($67,017)
Fringe Benefits	$0	($21,792)	($22,337)
Equip. & Expenses	$0	($28,842)	$0
Data Collection & Reporting	$0	($72,100)	($74,263)
Professional Services (Consultants)	($150,000)	($309,000)	($318,270)
Program administration	$0	($7,233,126)	($5,967,435)
Drug Costs	$0	($117,653,916)	($136,478,543)
Total Costs - Division of Aging	$0	($125,384,158)	($142,927,865)
ESTIMATED NET EFFECT ON MISSOURI SENIORS Rx FUND	**$3,185,430**	**$0**	**$0**
FEDERAL FUNDS			
Income - Department of Social Services			
Medicaid reimbursements	$442,419	$6,726,829 to Unknown	$9,228,752 to Unknown
Costs - Department of Social Services - Division of Family Services			
Personal services (.99)	($14,375)	($29,468)	($30,205)

FISCAL IMPACT - State Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
Fringe benefits	($4,791)	($9,822)	($10,067)
Expense and equipment	($11,070)	($4,720)	($4,862)
Total Costs - DFS	($30,236)	($44,010)	($45,134)
Costs - Department of Social Services - Division of Medical Services			
Processing costs	$0	($50,000)	($50,000)
Program costs	$0	($5,823,210 to Unknown)	($8,358,064 to Unknown)
Total Costs - DMS	$0	($5,873,210 to Unknown)	($8,408,064 to Unknown)
Costs - Department of Health and Senior Services - Division of Aging			
Personal services (14.7 FTE)	($248,063)	($508,529)	($521,242)
Fringe benefits	($82,679)	($169,493)	($173,730)
Expense and equipment	($81,441)	($131,587)	($80,582)
Total Costs - Division of Aging	($412,183)	($809,609)	($775,554)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

Small pharmacies may be impacted by this proposal

DESCRIPTION

This proposal would establish a Missouri Senior Rx Program for eligible seniors who reside in Missouri. In its main provisions, the proposal would: (1) Repeal the current $200 prescription tax credit for eligible seniors; (2) Increase the income limit to 80% of the federal poverty level

(FPL) on July 1, 2002, 90% of FPL on July 1, 2003, and 100% of FPL on July 1, 2004 for persons eligible 65 years and older; (3) Establish an 14-member Commission for the Missouri Senior Rx Program within the Division of Aging in the Department of Health and Senior Services. The composition and selection of members and duties of the commission are contained in the proposal; (4) Establish the Missouri Senior Rx Program within the Division of Aging in the Department of Health and Senior Services. Various terms are defined; (5) Require the commission to govern the program and to solicit requests for proposals to administer the program from private contractors; (6) Require the commission to select a bid from the submitted proposals. If no bids are received, the program would be jointly administered by the Department of Health and Senior Services and the Department of Social Services; (7) Set eligibility criteria for participation in the program. Residents would be eligible to apply to the program if they are 65 years of age, have not received pharmaceutical benefits for at least 6 months prior to applying to the program, have not received Medicaid benefits, and meet income eligibility guidelines; (8)

<u>DESCRIPTION</u> (continued)

Establish income eligibility limits of $12,000/$17,000 for individuals and $17,000/$23,000 for married couples; (9) Make the program the payer of last resort and not an entitlement; (10) Require that seniors submit an annual application to the Division of Aging or the division's designee. The commission would develop and implement a means test requiring applicants to meet the income requirement of the program; (11) Prohibit requiring applicants to accept Medicaid benefits in lieu of participating in the program; (12) Require that participants pay a deductible to participate in the program. Deductible amounts would be $250 or $500 per participant, depending on marital status and household income; (13) Require that all household income levels established for participation in the program be adjusted annually by an amount equal to the cost-of-living adjustment for the federal poverty level established by the federal Department of Health and Human Services; (14) Require that enrollees pay 40% of the purchase price of prescription drugs. In addition, eligible enrollees would be required to pay an annual co-insurance amount of $25 or $35 based on marital status and income level; (15) Establish an annual program benefit limit of $5,000 per enrollee; (16) Allow the Department of Health and Senior Services to enter into a contract with any private individual, corporation, or agency to implement the program; (17) Require the division to utilize Area Agencies on Aging; senior citizen centers, and related entities to provide outreach, enrollment assistance, and education relating to the program; (18) Require the commission to submit quarterly reports to the Governor, Senate Appropriations Committee, House of Representatives Budget Committee, Speaker of the House of Representatives, and President Pro Tem of the Senate; (19) Require that program
benefits be supported by moneys appropriated by the General Assembly; (20) Require the commission to implement cost control measures if projected costs exceed the current program appropriation; (21) Allow the division to request a supplemental appropriation to meet additional costs and requires implementation of cost control measures; (24) Require the program to cover eligible costs not covered by a federal pharmaceutical assistance program if established; (25)

Require the commission to develop rules to implement the program; (26) Make any person who engages in fraudulent activities in order to participate in the program guilty of a misdemeanor and forfeits his or her rights to participate in the program; (27) Require the program to be fully operational by July 1, 2002. An initial enrollment period would be from April 1, 2002 through May 30, 2002. Beginning with calendar year 2004, open enrollment periods would be held from November 1 through December 15 of the preceding calendar year; (28) Allow an individual a 30-day enrollment period outside the established enrollment periods; (29) Require that the program use generic prescription drugs when available. Enrollees may receive brand name prescription drugs when a generic prescription drug is available only if both the prescribing physician and the enrollee request the brand name prescription drug, the enrollee pays the co-insurance on the generic drug, and the enrollee pays the difference in price between the brand name drug and the generic drug; (30) Require that pharmacists participating in the program be reimbursed for costs resulting from obtaining and dispensing medications. Reimbursement formulas for brand name and generic medications are contained in the proposal; (31) Require the division to issue a certificate of participation to pharmaceutical manufacturers who participate in

DESCRIPTION (continued)

the program. A manufacturer can apply for participation in the program by submitting an application approved by the commission; (32) Require pharmaceutical manufacturers to provide quarterly rebates under the program. The division would be required to negotiate annually with manufacturers for the rebate amounts. Rebates for brand name prescription drugs may not be less than 15% and rebates for generic prescriptions may not be less than 15%. Rebates would be used to fund the program; (33) Prohibit a pharmaceutical manufacturer's status under the current Medicaid program from being affected if the manufacturer refuses to participate in the program; (34) Create a Missouri Senior Rx Fund which would be administered by the State Treasurer. The revenue sources for the fund are specified in the proposal and funds would not revert to the General Revenue Fund; and (35) Establish the "Missouri Senior Rx Clearinghouse" within the Commission to be a public or a private agency created to assist and educate Missouri residents in accessing prescription drugs and serve as a one-stop shopping pharmaceutical benefit resource, maintain a toll free number, and provide measurable data to identify the progress and success of the program.

The proposal contains an emergency clause.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Office of State Courts Administrator

MW:LR:OD (12/00)

Department of Health and Senior Services
Department of Revenue
Department of Social Services
Office of State Treasurer

Jeanne Jarrett, CPA
Director

September 13, 2001